



**REQUEST FOR PROPOSALS
ACTUARIAL SERVICES
RFP 06-06**

RELEASE DATE: SEPTEMBER 1, 2006

INQUIRY DUE DATE: SEPTEMBER 15, 2006 3:00 P.M. EDT

DEADLINE FOR SUBMISSION: SEPTEMBER 29, 2006 3:00 P.M. EDT

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Indiana Public Employees' Retirement Fund Requests for Proposal (RFP)

SECTION ONE GENERAL INFORMATION

1.1 INTRODUCTION

The Indiana Public Employees' Retirement Fund ("PERF" or "Fund") is soliciting proposals from all firms interested in being selected as a Vendor for the actuarial services described in Exhibit A, Scope of Work.

PERF is a non-profit quasi-state organization that was established in 1945 as a result of legislative action. The purpose of PERF is to administer pensions for all state of Indiana employees and the employees of participating political subdivisions. PERF provides service to the members and their employers for all of the pension funds administered by PERF, having as its goal the accurate accumulation of data and funds in order to provide correct and prompt retirement benefits.

1.2 DEFINITIONS AND ABBREVIATIONS

Following are explanations of terms and abbreviations appearing throughout this RFP. Other special terms may be used in the RFP, but they are defined where they appear, rather than in the following list.

Board	Board of Trustees of PERF.
IAC	The Indiana Administrative Code.
IC	The Indiana Code.
PERF or Fund	Indiana Public Employees' Retirement Fund.
Proposal	An offer.
Respondent	An offeror who submits a proposal.
Services	Work to be performed as specified in this RFP.
Vendor	Any successful Respondent selected as a result of the procurement process to deliver services requested by this RFP.

1.3 ISSUER

PERF has issued this RFP in accordance with Indiana statutes governing PERF's administration. The staff of PERF has prepared the content herein. One (1) copy of this RFP may be provided free of charge from PERF, or a copy may be obtained from PERF's website (<http://www.in.gov/perf/agency/contracts.html>). A nominal fee will be charged for providing additional hard copies.

1.4 DUE DATE AND FORMAT FOR PROPOSALS

All proposals must be received at the address below no later than September 29, 2006, at 3:00 p.m., EDT. Each Respondent must submit one original (marked "Original"), one copy of the proposal in CD ROM format, and four duplicate copies of their proposal, including the transmittal letter and other related documentation as required in Sections 4.2 and 4.3 of this RFP. The proposal must be addressed/delivered to:

Rebecca Cook
Procurement Officer
Indiana Public Employees' Retirement Fund
143 W. Market Street
Indianapolis, IN 46204

Any proposal received after the due date will not be considered. Any late proposals will be returned, unopened, to the Respondent, upon request, within thirty (30) days of filing.

1.5 MODIFICATION OR WITHDRAWAL OF OFFERS

Responses to this RFP may be modified or withdrawn in writing or by fax notice received prior to the date specified for receipt of proposals. The Respondent's authorized representative may also withdraw the proposal in person, providing his or her identity is made known and he or she signs a receipt for the proposal. Proposals may not be withdrawn after the proposal due date has passed.

Modification to or withdrawal of a proposal received after the date specified for receipt of proposals will not be considered. If it becomes necessary to revise any part of this RFP or if additional data is necessary for an exact interpretation of provisions of this RFP prior to the due date for proposals, a supplement will be posted by PERF on its website (<http://www.in.gov/perf/agency/contracts.html>). If such addenda issuance is necessary, PERF reserves the right to extend the due date of proposals to accommodate such interpretations or additional data requirements.

1.6 JOINT BIDS / SUBCONTRACTING

PERF will not entertain joint bids.

Although PERF anticipates that any Respondent submitting a proposal will provide the major portion of the services as requested, subcontracting by the Respondent is acceptable in performing the requirements of this RFP. However, the Respondent must obtain the approval of PERF before subcontracting any portion of the project's requirements. The Respondent is responsible for the performance of any obligations that may result from this RFP and shall not be relieved by the non-performance of any subcontractor. Any Respondent's proposal must identify all subcontractors and outline the contractual relationship between the Respondent and each subcontractor. Either a copy of the executed subcontract or a letter of agreement over the official signature of the firms involved must accompany each proposal.

Any subcontracts entered into by the Respondent must be in compliance with all state of Indiana statutes and be subject to the provisions thereof. For each portion of the proposed services to be provided by a subcontractor, the technical proposal must include the identification of the functions to be provided by the subcontractor and the subcontractor's related qualifications and experience.

The combined qualifications and experience of the Respondent and any or all subcontractors will be considered in PERF's evaluation. The Respondent must furnish information to PERF as to the amount of the subcontract, the qualifications of the subcontractor for guaranteeing performance, and any other data that may be required by PERF. All subcontracts held by the Respondent must be made available upon request for inspection and examination by appropriate PERF officials, and such relationships must meet with the approval of PERF.

1.7 CONFIDENTIAL INFORMATION

Respondents are advised that materials contained in proposals are subject to the Indiana Public Records Act, IC 5-14-3 et seq., and, after the contract award, may be viewed and copied by any member of the public, including news agencies and competitors. Respondents claiming a statutory exception to the Indiana Public Records Act must place all confidential documents (including the requisite number of copies) in a sealed envelope clearly marked "Confidential" and must indicate in the transmittal letter and on the outside of that envelope that confidential materials are included. The Respondent must also specify which statutory exception provision applies. PERF reserves the right to make determinations of confidentiality. If PERF does not agree that the information designated is confidential under one of the disclosure exceptions to the Indiana Public Records Act, it may either reject the proposal or discuss its interpretation of the allowable exceptions with the Respondent. If agreement can be reached, the proposal will be considered. If agreement cannot be reached, PERF will remove the proposal from consideration for award and return the proposal to the Respondent. PERF will not determine prices to be confidential information.

1.8 RFP RESPONSE COSTS

PERF accepts no obligations for costs incurred by Respondents in anticipation of being awarded a contract.

1.9 PROPOSAL LIFE

All proposals made in response to this RFP must remain open and in effect for a period of not less than 180 days after the due date for proposals. Any proposal accepted by PERF for the purpose of contract negotiations shall remain valid until superseded by a contract or until rejected by PERF.

1.10 TAXES

PERF is exempt from federal, state, and local taxes. PERF will not be responsible for any taxes levied on the Respondent as a result of any contract resulting from this RFP.

1.11 SECRETARY OF STATE REGISTRATION

Before an out-of-state Respondent can do business with PERF, the Respondent must be registered with the Indiana Secretary of State. If an out-of-state Respondent does not have such registration at present, the Respondent should contact

Secretary of State of Indiana
Corporation Division
402 West Washington Street, E018
Indianapolis, IN 46204
(317) 232-6576

for the necessary application form, or it can be accessed on the Secretary of State's website at <http://www.in.gov/icpr/webfile/formsdiv/38784.pdf>. It is each respondent's responsibility to register prior to the initiation of any contract discussions.

1.12 DISCUSSION FORMAT

PERF reserves the right to conduct discussions, either oral or written, with those Respondents determined by PERF to be reasonably viable to being selected for award. PERF also reserves the right to conduct clarifications to resolve minor issues.

1.13 SUMMARY OF MILESTONES

The following is the expected timeline for the RFP.

<u>ACTIVITY</u>	<u>DATE</u>
RFP published/released	September 1, 2006
Respondent's inquiry period ends	September 15, 2006 3:00 P.M. EDT
Proposal submission date	September 29, 2006 3:00 P.M. EDT
Discussions and or site visits	Week of October 2, 2006
Selection of Vendor	Week of October 16, 2006
Notify selected Respondent	Week of October 16, 2006

SECTION TWO PROPOSAL PROCEDURES

2.1 CONTACTS

Inquiries are not to be directed to any staff or Board member of PERF, except as outlined in Section 2.3. Such unauthorized communication(s) may disqualify Respondent from further consideration. The Fund reserves the right to discuss any part of any response for the purpose of clarification. Respondents will be given equal access to any communications about the request for proposal between the Fund and other Respondents.

2.2 PRE-PROPOSAL CONFERENCE

It is the decision of PERF that no pre-proposal conference is required for this RFP.

2.3 INQUIRIES ABOUT THE RFP

All inquiries and requests for information affecting this RFP must be submitted in writing by e-mail to:

Rebecca Cook
Procurement Officer
rcook@perf.state.in.us

no later than September 15, at 3:00 p.m. EDT. PERF reserves the right to judge whether any questions should be answered in writing and copies will be distributed to all prospective Respondents who are known to have received a copy of the original RFP.

2.4 RESPONDENT SITE VISITS

PERF may request a site visit to a Respondent's working support center to aid in the evaluation of the Respondent's proposal.

2.5 CONTRACT AWARD

Based on the results of this process, the qualifying proposal determined to be the most advantageous to PERF, taking into account all of the evaluation factors, may be selected by PERF for further action, such as contract award. If, however, PERF decides that no proposal is sufficiently advantageous to PERF, PERF may take whatever further action is deemed best in its sole discretion, including making no contract award. If, for any reason, a proposal is selected and it is not possible to consummate a contract with the Respondent, PERF may begin contract preparation with the next qualified Respondent or determine that it does not wish to award a contract pursuant to this RFP.

PERF reserves the right to reject any or all proposals received or to award, without discussions or clarifications, a contract on the basis of proposals received. Therefore, each proposal should contain the Respondent's best terms from a price and technical standpoint.

SECTION THREE LENGTH OF CONTRACT AND PRICING

3.1 LENGTH OF CONTRACT

The term of the contract entered into under this RFP shall be for a period of one (1) year, beginning from date of final execution of contract. There may be up to four (4) one-year renewal periods under the same terms and conditions at PERF's option. Total contract period shall not exceed five (5) years.

3.2 PRICING

PERF requests that the pricing associated with this RFP be a firm proposal price that must remain open and in effect for a period of not less than 180 days from the proposal due date. Price proposal should include deliverables schedules and payment points. Deliverables schedules are subject to contract negotiations.

SECTION FOUR PROPOSAL PREPARATION INSTRUCTIONS

4.1 GENERAL

To facilitate the timely evaluation of proposals, a standard format for proposal submission has been developed and is documented in this section. All Respondents are required to format their proposals in a manner consistent with the guidelines described below:

- Each item must be addressed in the Respondent's proposal or the proposal may be rejected.
- The transmittal letter should be in the form of a letter. The business proposal must be organized under the specific section titles as listed below.
- PERF may, at its option, allow all Respondents a five-calendar-day period to correct errors or omissions to their proposals. Should this necessity arise, PERF will contact each Respondent affected. Each Respondent must submit written corrections to the proposal within five calendar days of notification. The intent of this option is to allow proposals with only minor errors or omissions to be corrected. Major errors or omissions, such as the failure to include prices, will not be considered by PERF as a minor error or omission and may result in disqualification of the proposal from further evaluation.

A complete proposal will include the following:

- Hard copy submission of a transmittal letter (with the information in Section 4.2)
- Hard copy submission of a Business Proposal (with the information and attachments described in Section 4.3)
- Completed Minimum Qualifications Certificate and Questionnaire.
- Original, four copies, and CD ROM of entire proposal as outlined in Section 1.4

4.2 TRANSMITTAL LETTER

The Transmittal Letter must address the following topics:

4.2.1 Identification

The transmittal letter must first identify the RFP.

4.2.2 Summary of Ability and Desire to Supply the Required Services

The transmittal letter must briefly summarize the Respondent's ability to supply the requested services. The letter must also contain a statement indicating the Respondent's willingness to provide the requested services subject to the terms and conditions set forth in the RFP including, but not limited to, PERF's standard contract clauses.

4.2.3 Signature of Authorized Representative

A person authorized to commit the Respondent to its representations must sign the transmittal letter. Respondent personnel signing the transmittal letter of the proposal must be legally authorized by the organization to commit the organization contractually. This section must contain proof of such authority. A copy of corporate bylaws or a corporate resolution adopted by the board of directors indicating this authority will fulfill this requirement.

4.2.4 Other Information

Any other information the Respondent may wish to briefly summarize will be acceptable.

4.3 BUSINESS PROPOSAL

The Business Proposal must contain the following items:

4.3.1 Ability to Perform Scope of Work

Respondent should demonstrate in this section its ability to meet the requirements set forth in Exhibit A, Scope of Work. Respondent should include a timeline of projects based on deliverables.

4.3.2 Contract

Exhibit D is the base contract that will be used if an award is made. Any or all portions of this document are incorporated by reference as an addendum to the final contract. If Respondent wants to include or change any term of the contract, it must be submitted as an amendment to the contract. See the next section for more instructions on this.

4.3.3 Respondent Contract Requirements

If the Respondent wishes to include or change any language in the contract being submitted, proposed language should be included in this section, in the form of an amendment to the contract in 4.3.2. For each change included, the Respondent should indicate that the change is required by the Respondent in any contract resulting from this RFP and why it is required (if the required change is unacceptable to PERF, the Respondent's proposal may be

considered unacceptable) or indicate that the change is desired (but not required) by the Respondent in any contract resulting from this RFP.

4.3.4 References

The Respondent should include a list of at least three (3) clients for whom the Respondent has provided products and services that are the same or similar to those products and services requested in this RFP. Any state government or pension fund for which the Respondent has provided these products and services should be included. Also to be included should be clients with locations near Indianapolis, as site visits may be arranged. Information provided should include the name, address, and telephone number of the client facility and the name, title, e-mail address, and phone/fax numbers of a person who may be contacted for further information.

4.3.5 Registration to do Business

Respondents proposing to provide services required by this RFP are required to be registered to do business within the state by the Indiana Secretary of State. The address contact information for this office may be found in Section 1.11 of this RFP. This process must be concluded prior to contract negotiations with PERF. It is the successful Respondent's responsibility to complete the required registration with the Secretary of State. The Respondent must indicate the status of registration, if applicable, in this section of the proposal.

4.3.6 Subcontractors

The Respondent must list any subcontractors that are proposed to be used in providing the required services. The subcontractor's responsibilities under the proposal, the subcontractor's form of organization, and an indication from the subcontractor of a willingness to carry out these responsibilities are to be included for each subcontractor. This assurance in no way relieves the Respondent of any responsibilities in responding to this RFP or in completing the commitments documented in the proposal.

4.3.7 Financial Statements

This section must include the Respondent's financial statements, including an income statement and balance sheet for each of the two most recently completed fiscal years.

4.3.8 Minority and Women's Business Enterprise Participation Plan

The contract goal is that at least five percent (5%) of PERF contracts be with minority and women business enterprises as defined in IC 4-13-16.5. This goal is established under in IC 4-13-16.5-2 (f) (7). It is the intent of the Fund to meet or exceed the 5% minority and women's business enterprise participation goal.

Participation does not need to be only through subcontractors, but can also be through second-tier participation with common suppliers (office supplies, courier services, accounting services, janitorial services, etc.). Include only the proportion of those contracts that pertain to the bid being submitted.

Are you a minority business enterprise vendor? YES _____ NO _____

If you are not a minority business enterprise vendor, is there any minority business enterprise participation in this project through subcontractors or suppliers? YES _____ NO _____

If yes, what percentage of the total amount is being accomplished by minority or women's business enterprises? _____%

SECTION FIVE PROPOSAL EVALUATION

PERF has selected a group of qualified personnel to act as an evaluation team. The procedure for evaluating the responses against the evaluation criteria will be as follows:

1. Each response will be evaluated on the basis of the categories listed below.
2. Based on the results of the evaluation, the proposal determined to be most advantageous to PERF, taking into account all of the evaluation factors, may be selected by PERF for further action.
3. In addition, the evaluation team will consider other factors they believe to be material for this selection.

Proposals will be evaluated based upon the proven ability of the Respondent to satisfy the requirements in an efficient, cost-effective manner, taking into account quality of service with minimal tolerance for error. Specific criteria include:

1. Fulfilling the requirements set forth in the RFP;
2. Adequate security of data;
3. Experience and track record in the field;
4. Price, including deliverables schedules and payment points (deliverables schedules are subject to contract negotiations); and

All proposals will be reviewed by members of PERF. References may be contacted. It is possible that finalists will be interviewed by persons participating in the selection process.

EXHIBIT A

SCOPE OF WORK

The actuarial firm selected by PERF shall perform tasks including, but not limited to, the following:

A. Valuation Services

- 1) Provide an annual actuarial valuation report for the Public Employees' Retirement Fund. This includes data for the 1200 employers for the purpose of Governmental Accounting Standards Board reporting requirements. This valuation must be completed before December 31 of each year for the valuation as of the previous July 1. Further details regarding this fund can be found at: http://www.in.gov/perf/pdf/public/member_handbook_for_web.pdf.
- 2) Provide an annual actuarial valuation report for the 1977 Police Officers' and Firefighters' Pension and Disability Fund. This includes data for each of the 160 employers for statutory purposes and for the purpose of Governmental Accounting Standards Board reporting requirements. This valuation must be completed before July 1 of each year for the valuation as of the previous January 1. Further details regarding this fund can be found at: http://www.in.gov/perf/pdf/police/2003_Membership_Handbook.pdf.
- 3) Provide an annual actuarial valuation report for the Judges' Retirement System. This includes data for the employer for statutory purposes and for the purpose of Governmental Accounting Standards Board reporting requirements. This valuation must be completed before December 31 of each year for the valuation as of the previous July 1. Further details regarding this fund can be found at: <http://www.in.gov/perf/judges/handbook.html#membership>.
- 4) Provide an annual actuarial valuation report for the Prosecutors' Retirement Fund. This includes data for the employer for statutory purposes and for the purpose of Governmental Accounting Standards Board reporting requirements. This valuation must be completed before December 31 of each year for the valuation as of the previous July 1. Further details regarding this fund can be found at: <http://www.in.gov/perf/attorneys/handbook.html>.
- 5) Provide an annual actuarial valuation report for the Legislators' Retirement Fund. This includes data for the employer for statutory purposes and for the purpose of Governmental Accounting Standards Board reporting requirements. This valuation must be completed before December 31 of each year for the valuation as of the previous July 1. Further details regarding this fund can be found at: http://www.in.gov/perf/pdf/legislators/legislators_handbook.pdf.
- 6) Provide an annual actuarial valuation report for the Excise Police and Conservation Enforcement Officers' Retirement Fund. This includes data for the employer for statutory purposes and for the purpose of Governmental Accounting Standards Board reporting requirements. This valuation must be completed before December 31 of each year for the valuation as of the previous July 1. Further details regarding this fund can be found at: <http://www.in.gov/perf/excise/handbook.html>.
- 7) The annual actuarial report for each fund at a minimum should reflect the following:
 - Management summary and certification
 - Outline of plan provisions

- Summary of participant data
 - Development of the unfunded actuarial accrued liability
 - Asset information
 - Development of the total current contribution
 - Development of contributions by member and fund
 - Analysis of actuarial gain or (loss) for the plan year
 - Schedule of participants reaching normal retirement age within the next ten years
 - Actuarial cost method and actuarial assumptions
 - An example of recent reports is included in Exhibit E, Report Examples.
- 8) Provide recommendations to the PERF Board of Trustees on actuarial assumptions to be used in the above annual valuations for future years.
 - 9) As requested, advise PERF management of the financial impacts that proposed legislative and/or regulatory changes would have on the 1977, Judges', Prosecutors', Legislators', Public Employees' or Excise Police and Conservation Officers' retirement funds or any other funds as required by the Board or PERF management. Such advice shall be at the request of PERF and in writing as required by PERF.
 - 10) Attend all legislative hearings that impact PERF. Testify, as requested by PERF or the Indiana General Assembly, regarding the actuarial status and funding methodology of the six funds identified in Sections A.1 – A.6 above and any other funds, or on related matters as required by the Board or PERF management.
 - 11) Perform valuations for employers who wish to enter the 1977 Police Officers' and Firefighters' Pension and Disability Fund.
 - 12) Perform valuations for employers who wish to enter the Public Employees' Retirement Fund or who wish to enlarge their coverage.
 - 13) Provide actuarial consultation and advice on specific technical, policy or administrative issues identified by PERF or the PERF Board of Trustees. Such consultation and advice shall be rendered through periodic meetings, routine telephone consultations and correspondence as required by PERF. Vendor shall attend meetings of the Board of Trustees as requested by Fund management. The Board of Trustees meeting schedule is available at: http://www.in.gov/perf/agency/board_meeting_dates.html
 - 14) The Contractor shall participate in meetings with PERF and/or the PERF Board of Trustees, before and after each plan year—or as needed, to address actuarial assumptions. Additional information regarding valuations and Indiana Code may be accessed at <http://www.in.gov/legislative/ic/code/title5/ar10/ch1.5.html>
 - 15) Apprise the PERF Board of Trustees and PERF management of current and pending developments and trends within the actuarial profession that could materially affect the six funds identified in Sections A.1 – A.6 above, and any other funds as required by the Board or PERF management.
 - 16) Develop and provide actuarial tables and factors for the six funds identified in Sections A.1 – A.6 above, and any other funds as required by the Board or PERF management.

- 17) Calculate the annual pension relief distribution as required by statute for the Pension Relief Fund, and perform other calculations required due to legislative changes to the Pension Relief Fund statutes. Provide to PERF actuarial consultation and advice required for the Pension Relief Fund or, at PERF's request, provide such consultation and advice to legislative committees.
- 18) Prepare GASB-25 and GASB-27 reporting information for the funds as detailed in Sections A.1 – A.6 above and any other funds as required by the Board or PERF management.
- 19) Perform an analysis of actuarial assumptions for all funds administered by PERF.
- 20) Annually calculate proposed and final employer contribution rates for employers participating in the funds administered by PERF.
- 21) Provide to the Board of Trustees billings which identify the contractual services category and the retirement fund for which services were performed.

EXHIBIT B
MANDATORY MINIMUM QUALIFICATIONS COMPLIANCE CERTIFICATE

Unless otherwise specified, as of the Response Due Date, Respondents must satisfy all of the requirements outlined below and furnish all appropriate documentation in order to be considered for award of a Contract for Services.

- A. The firm must be a professional actuarial firm in the business of providing actuarial valuations and pension consulting services for a minimum of five (5) years;
- B. The firm must have experience as a supervising actuary including consulting services, experience analysis and valuation assignments for major retirement systems, with specific reference to involvement with public retirement systems.
- C. The principal actuary assigned to provide services to PERF must have a minimum of five (5) years professional actuarial experience, be an enrolled actuary, a member of the American Academy of Actuaries, and a fellow of the Society of Actuaries;
- D. The principal actuary assigned to provide services to PERF must have a minimum of five (5) years of experience testifying before legislative and administrative bodies in support of actuarial positions and/or the principles used in valuations or in estimating the costs of proposed legislation; and
- E. The firm must not seek to unreasonably limit its liability for negligence.

It is understood that failure to sign and return this statement and accompanying documentation with the response to the RFP will render the Respondent Proposal invalid.

Company: _____

Signature: _____

Title: _____

Date: _____

EXHIBIT C QUESTIONNAIRE

The following questionnaire must be completed and included with the Proposal. The questionnaire has been prepared to obtain responses relative to the Respondent's capability to successfully provide all required actuarial services.

- 1) Provide a general description of your firm, its primary business, capital position, and other descriptive information.
- 4) Date your firm began providing actuarial services.
- 5) Describe the ownership structure and provide an organization chart of your firm.
- 6) Describe any material developments in the ownership structure of your firm over the past three years. Describe in detail any planned changes in the firm's operations.
- 7) Describe the procedure used in "reconciling" or "scrubbing" the data provided annually by PERF. PERF is focused on providing the most accurate data possible; therefore, it is interested in the method by which the firm will communicate potential variances from year to year to focus on correction, if applicable.
- 8) List current state pension system clients for whom you perform actuarial valuations and serve as primary actuary.
- 9) How many defined benefit clients does your firm serve, both public and private?
- 10) Does your firm produce a newsletter specifically for public retirement plans?
- 11) List three public employee retirement system clients for whom the firm has provided professional actuarial services within the past five years. One of the reference clients must be a client who has been serviced by the proposed team. For each reference listed, include client name, address, telephone number, and name of a contact person.
- 12) Describe the approach your firm would follow in conducting actuarial valuations of the pension plans administered by PERF. Describe your approach to the transition from our current actuaries.
- 13) Discuss the theory and methodology for the actuarial assumptions your firm employs.
- 14) Describe the capabilities of your valuation system(s) and your computer hardware support.

EXHIBIT D
CONTRACT FOR SERVICES

This contract is between the Indiana Public Employees' Retirement Fund (hereinafter referred to as "PERF" or "Fund") and _____ (hereinafter referred to as "Contractor").

WHEREAS, the Fund desires to contract for services in the area of _____; and

WHEREAS, Contractor is willing to provide such services;

NOW, THEREFORE, the above-named parties enter into this contract upon the following terms and conditions:

1. Duties of Contractor

The Contractor shall provide the following services relative to this contract: See Attachment A, Scope of Services, incorporated by reference.

2. Consideration

The Contractor will be paid at the rate of: See Attachment B, Fees, incorporated by reference.

3. Term

The contract shall commence on _____ and shall terminate on _____. The contract may be renewed under the same terms and conditions by mutual agreement of the parties for up to _____ one-year terms.

4. Independent Contractor

Both parties hereto, in the performance of this contract, will be acting in an individual capacity and not as agents, employees, partners, joint venturers, or associates of one another. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party for any purposes whatsoever. Neither party will assume any liability for any injury (including death) to any persons, or any damage to any property arising out of the acts or omissions of the agents, employees or subcontractors of the other party.

The Contractor shall be responsible for providing all necessary unemployment and worker's compensation insurance for the Contractor's employees.

5. Work Standards

The Contractor agrees to execute its responsibilities by following and applying at all times the highest professional and technical guidelines and standards. If the Fund becomes dissatisfied with the work product or the working relationship with those individuals assigned to work on this contract, the Fund may request in writing the replacement of any or all such individuals.

All services provided by the Contractor under this Contract must be performed to the Fund's reasonable satisfaction, as determined at the discretion of the undersigned PERF representative and in accordance with all applicable federal, state, local laws, ordinances, rules and regulations. PERF shall not be

required to pay for work found to be unsatisfactory, inconsistent with this Contract or performed in violation of and federal, state or local statute, ordinance, rule or regulation.

6. Confidentiality of Fund Information

The Contractor understands and agrees that data, materials, and information disclosed to Contractor contain confidential and protected data; therefore, the Contractor promises and assures that data, material, and information gathered, based upon, or disclosed to the Contractor for the purpose of this contract, will be treated as confidential and will not be disclosed to others or discussed with other parties without the prior written consent of the Fund.

7. Confidentiality of Data, Property Rights in Products, and Copyright Prohibition

The Contractor agrees that all information, data, findings, recommendations, proposals, etc., by whatever name described and by whatever form therein, secured, developed, written, or produced by the Contractor in furtherance of this contract shall be the property of the Fund, and the Contractor shall take such action as is necessary under law to preserve such property rights in and of the Fund while such property is within the control and/or custody of the Contractor. By this contract, the Contractor specifically waives and/or releases to the Fund any cognizable property right of the Contractor to copyright, license, patent, or otherwise use such information, data, findings, recommendations, proposals, etc.

8. Ownership of Documents and Materials

All documents, records, programs, data, film, tape, articles, memos, and other materials developed under this contract shall be considered "work for hire," and the Contractor transfers any ownership claim to the Fund and all such matters will be the property of the Fund. Use of these materials, other than related to contract performance by the Contractor, without the prior written consent of the Fund, is prohibited. During the performance of the services specified herein, the Contractor shall be responsible for any loss or damage to these materials developed for or supplied by the Fund and used to develop or assist in the services provided herein while they are in the possession of the Contractor, and any loss or damage thereto shall be restored at the Contractor's expense. Full, immediate, and unrestricted access to the work product of the Contractor during the term of this contract shall be available to the Fund.

9. Reports

The Contractor shall submit reports to the Fund upon request, but in no event less than as of each month end. The reports shall be written and in a form agreed to between the Fund and Contractor.

At Fund's request and at mutually agreed upon times, Contractor shall meet with the Fund to review Contractor's performance. Contractor shall be available to answer questions by Fund staff and Board members from time to time as needed without additional charge.

10. Audit Settlement

If an error is discovered as a result of an audit performed by Contractor or Fund, or if Contractor becomes aware of any error through any other means, Contractor shall use its best efforts to promptly correct such error or to cause the appropriate party to correct such error.

11. Access to Records

The Contractor and its subcontractors shall maintain all books, documents, papers, accounting records, and other evidence pertaining to the cost incurred, and shall make such materials available at their respective offices at all reasonable times during the contract period and for seven (7) years from the date of final payment under this contract for inspection by the Fund or by any other authorized representative of the Fund, and copies thereof shall be furnished at no cost to the Fund if requested.

Upon execution of this contract, Fund will provide Contractor with a list of Authorized Persons who will be permitted to advise, inform, and direct Contractor on Fund's behalf, together with signature specimens of certain Authorized Persons who may execute specific tasks under this contract. The list of Authorized Persons and any changes to such list shall be made in writing to Contractor and signed by Fund's Director or the Director's designee. Until notified of any such change, Contractor may rely on and act upon instructions and notices received from an Authorized Person identified on the then-current list furnished by Fund.

All Authorized Instructions shall be in writing and transmitted by first class mail, private express courier, facsimile, or other authenticated electronic transmissions; *provided, however*, that Contractor may, in its discretion, accept verbal Authorized Instructions subject to written confirmation of same from such Authorized Person. Such Authorized Instructions shall bind Contractor upon receipt. If Contractor receives instructions or notices from a source other than an Authorized Person, Contractor shall not comply with them and shall immediately notify Fund's Executive Director in writing of such unauthorized instructions or notices.

12. Assignment

The Contractor shall not assign or subcontract the whole or any part of this contract without the Fund's prior written consent, except that the Contractor may assign its right to receive payments to such third parties as the Contractor may desire without the prior written consent of the Fund, provided that Contractor gives written notice (including evidence of such assignment) to the Fund thirty (30) days in advance of any payment so assigned. Assignment shall cover all unpaid amounts under this contract and shall not be made to more than one party.

13. Successors and Assignees

The Contractor binds his successors, executors, administrators, and assignees to all covenants of this contract. Except as above set forth, the Contractor shall not assign, sublet, or transfer interest in this contract without the prior written consent of the Fund.

14. Key Person(s)

In the event that both parties have designated in an appendix that the individual(s) therein named are essential to the services offered pursuant to this contract, the parties agree that in the event that such individual or individuals are no longer employed during the term of this contract by the Contractor for whatever reason, the Fund shall have the right to terminate this contract, without penalty, upon thirty (30) days prior written notice.

In the event that the Contractor is an individual or a closely held corporation (as defined under Indiana law, *see, e.g., Barth v. Barth*, 659 N.E.2d 559, 561, fn.5, [and cited authority therein]), the individual or person on behalf of the corporation responsible for primary contact between the Contractor and the Fund at the commencement of this contract shall be considered a key person and, as such, essential to the contract.

Substitution of another for the Contractor shall not be permitted without express written permission from the Fund.

Nothing in this Section 14 should be construed to prevent the Contractor from using the services of others to perform tasks ancillary to those tasks which directly require the expertise of the key person. Examples of such ancillary tasks include secretarial, clerical, and common labor duties. The Contractor shall, at all times, remain responsible for the performance of all necessary tasks, whether performed by a key person or others.

15. Background Investigations

All employees of Contractor who require access to the Fund's building at 143 West Market, Indianapolis, Indiana, or the Fund's confidential information shall be subject to the following personal background investigations: (i) Indiana State Police criminal history background check; (ii) Federal Bureau of Investigation fingerprint check; and (iii) Indiana Department of Revenue tax liabilities check. The Fund shall, in its sole discretion, decide whether the results of such background checks are acceptable.

16. Changes in Work

In the event the Fund requires a major change in scope, character, or complexity of the work after the work has progressed, adjustments in compensation to the Contractor shall be determined by the Fund in the exercise of its honest and reasonable judgment, and the Contractor shall not commence any additional work or change the scope of work until authorized in writing by the Fund. No claim for additional compensation shall be made in the absence of a prior written approval executed by all signatories hereto.

17. Force Majeure; Suspension and Termination

In the event that either party is unable to perform any of its obligations under this contract or to enjoy any of its benefits because of (or if failure to perform the services is caused by) natural disaster, actions or decrees of governmental bodies, or communication line failure not the fault of the affected party (hereinafter referred to as a "Force Majeure Event"), the party who has been so affected shall immediately give notice to the other party and shall do everything possible to resume performance.

18. Nondiscrimination

Pursuant to IC 22-9-1-10 and the Civil Rights Act of 1964, Contractor and its subcontractors, if any, shall not discriminate against any employee or applicant for employment, to be employed in the performance of this contract, with respect to the hire, tenure, terms, conditions or privileges of employment or any matter directly or indirectly related to employment, because of his race, color, religion, sex, disability, national origin or ancestry. Breach of this covenant may be regarded as a material breach of contract. Acceptance of this contract also signifies compliance with applicable federal laws, regulations, and executive orders prohibiting discrimination in the provision of services based on race, color, national origin, age, sex, disability or status as a veteran.

19. Termination

Notwithstanding anything to the contrary, this contract may be terminated, in whole or in part, by the Fund or the Contractor, for any reason, by delivery of a Termination Notice at least thirty (30) days prior to the termination effective date, specifying the extent to which performance of services under such termination becomes effective. The Contractor shall be compensated for services rendered prior to the effective date of

termination. The Fund will not be liable for services performed after termination. The Contractor shall be compensated for services herein provided, but in no case shall total payment made to Contractor exceed the original contract price due on contract. In no event shall Fund's termination of the contract under this section be deemed a waiver of Fund's right to make a claim against Contractor for damages resulting from any default by Contractor which occurred prior to the termination effective date. Additionally, the Fund may terminate this contract immediately in the event that the Board, in its sole discretion, considers such action necessary to protect the Fund.

In the event of any termination of this contract, all terms and conditions herein shall continue to apply through the termination effective date and through any period following such date during which Contractor shall continue to perform the services required under this contract, in order to complete any transactions pending on the termination effective date and to facilitate an orderly transition to a successor Contractor ("Transition Period"). Such Transition Period shall not exceed thirty (30) days after the termination effective date. If Fund terminates this contract, and unless otherwise expressly directed by Fund, Contractor shall take all necessary steps to stop services under this contract on the termination effective date.

Upon any termination of this contract by Fund and to the extent directed by Fund, Contractor shall continue to serve as a Contractor hereunder at the then-existing compensation level for the duration of the Transition Period. After the additional services have been performed, and the Transition Period is completed, Contractor may seek compensation for the Transition Period at its then-existing compensation level.

Contractor shall cooperate with Fund in good faith to effect a smooth and orderly transfer of such services and all applicable records by the termination effective date. Upon termination of this contract, Contractor shall retain all Fund records in accordance with the record retention provisions set forth in the Access to Records section of this contract.

20. Taxes

The Fund and state of Indiana are exempt from state, federal, and local taxes. The Fund will not be responsible for any taxes levied on the Contractor as a result of this contract.

21. Penalties/Interest/Attorney's Fees

The Fund will in good faith perform its required obligations hereunder and does not agree to pay any penalties, liquidated damages, interest, or attorney's fees, except as required by Indiana law.

22. Compliance with Laws

The Contractor agrees to comply with all applicable federal, state, and local laws, rules, regulations or ordinances, and all provisions required thereby to be included herein are hereby incorporated by reference. The enactment of any state or federal statute or the promulgation of regulations thereunder after execution of this contract shall be reviewed by the Fund and the Contractor to determine whether any provisions of this contract require formal amendment.

23. Governing Laws

This contract shall be construed in accordance with and governed by the laws of the state of Indiana and suit, if any, must be brought in the state of Indiana.

24. Indemnification

Contractor agrees to indemnify, defend, and hold harmless the Fund and the state of Indiana, their agents, officers, and employees from all claims and suits including court costs, attorney's fees, and other expenses arising from or related to any act of bad faith, negligence, intentional or willful misconduct, breach of fiduciary duty, or any other negligent act or omission of Contractor and/or its agents, if any, in the performance of this contract. The Fund shall not provide such indemnification to Contractor.

25. Insurance

Without limiting the indemnification obligations provided in this contract, for the duration of this contract, Contractor shall provide and maintain, at its own expense, the following insurance policies:

_____.

26. Substantial Performance

This contract shall be deemed to have been substantially performed only when fully performed according to its terms and conditions and any modification thereof.

27. Waiver of Rights

No right conferred on either party under this contract shall be deemed waived and no breach of this contract excused, unless such waiver or excuse shall be in writing and signed by the party claimed to have waived such right.

28. Payments

All payment obligations shall be made in arrears in accordance with Indiana law and the State's fiscal policies and procedures.

29. Disputes

Should any disputes arise with respect to this contract, the Contractor and the Fund agree to act immediately to resolve any such disputes. Time is of the essence in the resolution of disputes.

The Contractor agrees that, the existence of a dispute notwithstanding, it will continue without delay to carry out all its responsibilities under this contract which are not affected by the dispute. Should the Contractor fail to continue without delay to perform its responsibilities under this contract in the accomplishment of all non-disputed work, any additional costs incurred by the Contractor or the Fund as a result of such failure to proceed shall be borne by the Contractor, and the Contractor shall make no claim against the state of Indiana for such costs.

The Fund may withhold payments on disputed items pending resolution of the dispute. The unintentional nonpayment by the Fund to the Contractor of one or more invoices not in dispute in accordance with the terms of this contract will not be cause for Contractor to terminate this contract, and the Contractor may bring suit to collect without following the dispute procedure contained herein. This section shall not be construed to limit the right of either party to terminate the contract pursuant to the terms of the "Termination" section of the contract.

30. Changes

Contractor shall notify Fund in writing within three (3) business days of any of the following changes: (1) Contractor becomes aware that any of its representations, warranties, and covenants set forth herein cease to be materially true at any time during the term of this contract; (2) there is any material change in Contractor's senior personnel assigned to perform service under this contract; (3) there is any change in control of Contractor; (4) Contractor becomes aware of any other material change in its business management structure or its business organization, including without limitation the filing for bankruptcy relief.

31. Investigations and Complaints

To the extent permitted by applicable law, Contractor shall promptly advise Fund in writing of any extraordinary investigation, examination, complaint, disciplinary action or other proceeding relating to or affecting Contractor's ability to perform its duties under this contract which is commenced by any of the following: (1) any Attorney General or any regulatory agency of any state of the United States; (2) any U.S. Government department or agency; or (3) any governmental agency regulating business in any country in which Contractor is doing business. Except as otherwise required by law, Fund shall maintain the confidentiality of all such information until investigating entity makes the information public.

32. Notice to Parties:

Whenever any notice, statement, or other communication shall be sent to the Fund or Contractor, it shall be sent to the following address, unless otherwise specifically advised.

Notices to the Fund shall be sent to:

David J. Adams, Executive Director
Public Employees' Retirement Fund
500 Harrison Building
143 West Market Street
Indianapolis, IN 46204

Notices to the Contractor shall be sent to:

33. Authority to Bind

Notwithstanding anything in this contract to the contrary, the signatory for the Contractor represents that he/she has been duly authorized to execute agreements on its behalf.

34. Maintaining a Drug-Free Workplace

a. Contractor hereby covenants and agrees to make a good faith effort to provide and maintain during the term of this contract a drug-free workplace, and that it will give written notice to the Fund within ten (10) days after receiving actual notice that an employee of Contractor has been convicted of a criminal drug violation occurring in Contractor's workplace.

b. In addition to the provisions of subparagraph a. above, if the total contract amount set forth in this contract is in excess of \$25,000.00, Contractor hereby further agrees that this contract is expressly subject to the terms, conditions, and representations contained in the Drug-Free Workplace Certification executed by Contractor in conjunction with this contract.

c. It is further expressly agreed that the failure of Contractor to in good faith comply with the terms of subparagraph a. above, or falsifying or otherwise violating the terms of the certification referenced in subparagraph b. above, shall constitute a material breach of this contract, and shall entitle the Fund to impose sanctions against the Contractor including, but not limited to, suspension of contract payments, termination of this contract and/or debarment of the Contractor from doing further business with the Fund for up to three (3) years.

35. Drug-Free Workplace Certification

This certification is required by Executive Order No. 90-5, April 12, 1990, issued by the Governor of Indiana. Pursuant to its delegated authority, the Fund is requiring the inclusion of this certification in all contracts with and grants from the PERF in excess of \$25,000. No award of a contract shall be made, and no contract, purchase order or agreement, the total amount of which exceeds \$25,000, shall be valid unless and until this certification has been fully executed by the Contractor and made a part of the contract or agreement as part of the contract documents. False certification or violation of the certification may result in sanctions including, but not limited to, suspension of contract payments, termination of the contract or agreement and/or debarment of contracting opportunities with the Fund for up to three (3) years. The Contractor certifies and agrees that it will provide a drug-free workplace by:

a. Publishing and providing to all of its employees a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the Contractor's workplace and specifying the actions that will be taken against employees for violations of such prohibition;

b. Establishing a drug-free awareness program to inform employees that (1) the dangers of drug abuse in the workplace; (2) the Contractor's policy of maintaining a drug-free workplace; (3) any available drug counseling, rehabilitation, and employee assistance programs; and (4) the penalties that may be imposed upon an employee for drug abuse violations occurring in the workplace;

c. Notifying all employees in the statement required by subparagraph (a) above that as a condition of continued employment the employee will (1) abide by the terms of the statement; and (2) notify the employer of any criminal drug statute conviction for a violation occurring in the workplace no later than five (5) days after such conviction;

d. Notifying in writing the Fund within ten (10) days after receiving notice from an employee under subdivision (c)(2) above, or otherwise receiving actual notice of such conviction;

e. Within thirty (30) days after receiving notice under subdivision (c)(2) above of a conviction, imposing the following sanctions or remedial measures on any employee who is convicted of drug abuse violations occurring in the workplace: (1) take appropriate personnel action against the employee, up to and including termination; or (2) require such employee to satisfactorily participate in a drug abuse assistance or rehabilitation program approved for such purposes by a federal, state or local health, law enforcement, or other appropriate agency; and

f. Making a good faith effort to maintain a drug-free workplace through the implementation of subparagraphs (a) through (e) above.

36. Minority and Women's Business Enterprise Compliance

The Contractor agrees to comply fully with the provisions of the Contractor's MBE/WBE participation plans, and agrees to comply with all Minority and Women's Business Enterprise statutory and administrative code requirements and obligations, including IC 4-13-16.5 and 25 IAC 5.

The Contractor further agrees to cooperate fully with the Minority and Women's Business Enterprise division to facilitate the promotion, monitoring, and enforcement of the policies and goals of MBE/WBE program including any and all assessments, compliance reviews, and audits that may be required.

37. Ethics Requirement

The Contractor and its agents shall abide by all ethical requirements that apply to persons who have a business relationship with the State, as set forth in Indiana Code § 4-2-6 et seq., the regulations promulgated thereunder, and Executive Orders 04-08 and 05-12, dated April 27, 2004 and January 10, 2005, respectively.

If the Contractor is not familiar with these ethical requirements, the Contractor should refer any questions to the Indiana State Ethics Commission, or visit the Indiana State Ethics Commission website at <<<[<<<http://www.in.gov/ethics/">>>>](http://www.in.gov/ethics/)>>>. If the Contractor or its agents violate any applicable ethical standards, PERF may, in its sole discretion, terminate this contract immediately upon notice to the Contractor. In addition, the Contractor may be subject to penalties under Indiana Code § 4-2-6-12.

36. Non-Collusion and Acceptance

The undersigned attests under penalties of perjury that he is the contracting party, or that he is the representative, agent, member or officer of the contracting party, that he has not, nor has any other member, employee, representative, agent or officer of the firm, company, corporation or partnership represented by him, directly or indirectly, to the best of his knowledge, entered into or offered to enter into any combination, collusion or agreement to receive or pay, and that he has not received or paid, any sum of money or other consideration for the execution of this agreement other than that which appears upon the face of the agreement.

The parties, having read and with full understanding of the foregoing terms of the contract, do by their respective signatures dated below hereby agree to the terms herein, including, if this contract is in excess of \$25,000, the Drug-Free Workplace Certification.

CONTRACTOR

By:_____

Attested By:_____

Printed Name:_____

Printed Name:_____

Title:_____

Title:_____

Date:_____

Date:_____

INDIANA PUBLIC EMPLOYEES' RETIREMENT FUND

David J. Adams, Executive Director

Date:_____

ATTACHMENT A
SCOPE OF SERVICES

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ATTACHMENT B

FEES

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EXHIBIT E
REPORT EXAMPLES

PUBLIC EMPLOYEES'
RETIREMENT FUND OF INDIANA
ACTUARIAL VALUATION
JULY 1, 2005

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PUBLIC EMPLOYEES' RETIREMENT FUND OF INDIANA

Summary of Actuarial Valuation as of July 1, 2005

Introduction

As of the valuation date there were 141,428 active members, 57,121 pensioners and 10,531 terminated members entitled to future benefits. See the exhibit labeled Summary of Employee Data for a breakdown of the members between state employees and employees of political subdivisions.

We have established the following contributions as of July 1, 2005:

	State	Political Subdivisions	Total
Total Annual Cost	\$ 87,947,466	\$ 161,721,639	\$ 249,669,105
Cost as Percentage of Anticipated Payroll (Interest adjusted to mid-year)	5.5%	6.3%	6.0%

This Valuation is the fourth to reflect census data as reported by a new database system. The previous database system reported salaries on a calendar year basis and reported service through the March 31 preceding the valuation date. The new database system reports both salary and service on a fiscal year basis. Also, the new database system may have created an increase of about \$70 million in liabilities associated with prior service earned by active members. Due to the fiscal impact of the more current data, this valuation has been prepared in such a manner as to phase-in the changes brought about by the new database system over a four-year period on a pro rata basis. This phase-in will ease the transition to the census data reporting by the new database system.

This report reflects the plan provisions in effect as of July 1, 2005. Refer to the exhibit titled Summary of Major Plan Provisions for a brief description of benefits provided by this plan.

The Total Annual Cost is composed of employer normal cost of \$220,065,372 and an amortization payment of \$29,603,733. As of July 1, 2005, the Unfunded Actuarial Accrued Liability is \$386,384,977. A breakdown and a comparison with the results of the prior valuation is provided in the exhibit titled Contribution Breakdown and Comparison.

Introduction, Continued

The Total Annual Cost for 2005, as a percent of anticipated payroll increased to 6.0% as compared to 5.0% for 2004. The Fund had experience losses primarily from investments yielding less than the assumed 7.25% (estimated return for the 2004 plan year was 7.0% on an actuarial value basis) and from changes in actuarial assumptions. In terms of actual dollars, the Total Annual Cost increased by \$47,038,490 from \$202,630,615 for the 2004 plan year to \$249,669,105 for the 2005 plan year.

Actuarial Methods and Assumptions

The Entry Age Normal Cost Method was continued for determining the cost of retirement benefits, death benefits, disability benefits, and termination benefits. Valuation assets continue to be developed on an actuarial basis.

The actuarial assumptions used in this Valuation have been revised from the prior Valuation. The COLA actuarial assumption was changed from 0.5% annually to 1.0% annually. The COLA assumption is applied for the lifetime of the benefit recipients.

A brief explanation of the methods and a complete summary of the assumptions used may be found in the exhibits titled Actuarial Methods and Actuarial Assumptions.

Valuation Data and Disclaimer

The valuation census data was provided by the Public Employees' Retirement Fund and transposed into a computer file for processing. Similar information has been furnished to us in the past, and the accuracy of this report depends on the accuracy of all data that has been furnished to us from time to time. Trust information was also furnished by the Public Employees' Retirement Fund. It is noted that we make no representation concerning the accuracy of any employee data or valuation information that has been furnished to us.

The Valuation has been prepared for the sole purpose of determining the contribution requirements for the respective plan year and for providing accounting data to meet the requirements of GASB #25 and #27. The figures in this Valuation should not be used as the basis for any other purpose for which it was not designed.

Summary of Trust Experience

On an actuarial basis, the entire asset portfolio had net investment income for the 2004-2005 plan year that resulted in an estimated yield of 7.0%. The approximate market basis return during the same time period was 9.2%. See the exhibit labeled Ten Year Historical Investment Experience for more detail.

We will be pleased to furnish any additional information or answer any questions which may arise after your review of this report.

May 5, 2006 (1418)

ACTUARIAL CERTIFICATION

The information and valuation results shown in this report are, to the best of my knowledge, complete and accurate and are based upon:

The information and valuation results shown in this report are, to the best of my knowledge, complete and accurate and are based upon:

1. Employee census data as of July 1, 2005 submitted by the Director of the Public Employees' Retirement Fund. Although we did not audit this data, it appears to be sufficient and reliable for purposes of the report.
2. Financial data as of July 1, 2005 submitted by the Director of the Public Employees' Retirement Fund. Although we did not audit this data, it appears to be sufficient and reliable for purposes of the report.
3. Actuarial assumptions which were chosen by the PERF Board after consultation with the actuary.
4. Generally accepted actuarial principles and in accordance with standards of practice prescribed by the Actuarial Standards Board.
5. Actuarial methods as stated in the report and our interpretation of plan provisions as summarized in the report.

Prepared and Submitted by
McCready and Keene, Inc.



Douglas Todd
A.S.A., M.A.A.A., F.A.
Senior Actuary



Richard E. Lenz
F.S.A., M.A.A.A., F.A.
Chief Actuary

May 5, 2006 (I418)

SUMMARY OF CONTRIBUTIONS

	July 1, 2005		
	State	Political Subdivisions	Total
TOTAL ANNUAL COST	\$ 87,947,466	\$ 161,721,639	\$ 249,669,105
COST AS PERCENTAGE OF ANTICIPATED PAYROLL*	5.5%	6.3%	6.0%

*Interest adjusted for mid-year contribution

CONTRIBUTION BREAKDOWN AND COMPARISON

	July 1, 2005		
	State	Political Subdivisions	Total
TOTAL ANNUAL COST			
Employer Normal Cost	\$ 84,918,777	\$ 135,146,595	\$ 220,065,372
Amortization of Unfunded Actuarial Liability	3,028,689	26,575,044	29,603,733
Total	\$ 87,947,466	\$ 161,721,639	\$ 249,669,105
ANTICIPATED PAYROLL			
TOTAL ANNUAL COST AS % OF ANTICIPATED PAYROLL			
(Interest Adjusted for Mid-Year Contribution)	5.539%	6.269%	5.991%

DEVELOPMENT OF UNFUNDED ACTUARIAL LIABILITY

	July 1, 2005		
	State	Political Subdivisions	Total
Actuarial Accrued Liability			
- Active Members	\$ 2,077,253,827	\$ 2,886,025,740	\$ 4,963,279,567
- Terminated Members	112,082,894	99,414,922	211,497,816
Total	\$ 2,189,336,721	\$ 2,985,440,662	\$ 5,174,777,383
Less: Non-Retired Member Assets	2,145,805,051	2,642,587,355	4,788,392,406
Equals: Actual Unfunded Actuarial Accrued Liability (UAAL)	\$ 43,531,670	\$ 342,853,307	\$ 386,384,977
Unfunded Actuarial Accrued Liability, Prior Year	\$ (119,162,911)	\$ 109,539,797	\$ (9,623,114)
Less: Amortization of Unfunded Actuarial Liability, Prior Year	(9,393,835)	8,510,477	(888,358)
Plus: Interest for Full Year at 7.25%	(7,958,258)	7,324,626	(633,632)
Plus: Increase (Decrease) Due to Change in Actuarial Assumptions	84,814,948	115,090,627	199,905,575
Equals: Expected Unfunded Actuarial Accrued Liability (UAAL)	\$ (32,912,386)	\$ 223,444,573	\$ 190,532,187
Experience (Gain)/Loss [Actual UAAL-Expected UAAL]	\$ 76,444,056	\$ 119,408,734	\$ 195,852,790

May 5, 2006 (1418)

CONTRIBUTION BREAKDOWN AND COMPARISON

With Fresh Start and 4-Year Phase-in

	July 1, 2004		
	State	Political Subdivisions	Total
TOTAL ANNUAL COST			
Employer Normal Cost	\$ 79,041,240	\$ 124,472,733	\$ 203,513,973
Amortization of Unfunded Actuarial Liability	(9,393,835)	8,510,477	(883,358)
Total	\$ 69,647,405	\$ 132,983,210	\$ 202,630,615
ANTICIPATED PAYROLL			
	\$ 1,612,048,954	\$ 2,586,892,952	\$ 4,198,941,906
TOTAL ANNUAL COST AS % OF ANTICIPATED PAYROLL			
(Interest Adjusted for Mid-Year Contribution)	4.477%	5.327%	5.001%

DEVELOPMENT OF UNFUNDED ACTUARIAL LIABILITY

With Fresh Start and 4-Year Phase-in

	July 1, 2004		
	State	Political Subdivisions	Total
Actuarial Accrued Liability			
- Active Members	\$ 1,914,810,410	\$ 2,609,441,704	\$ 4,524,252,114
- Terminated Members	104,682,046	76,208,786	180,890,832
Total	\$ 2,019,492,456	\$ 2,685,650,490	\$ 4,705,142,946
Less: Non-Retired Member Assets	2,138,655,367	2,576,110,693	4,714,766,060
Equals: Actual Unfunded Actuarial Liability (UAAL)	\$ (119,162,911)	\$ 109,539,797	\$ (9,623,114)
Unfunded Actuarial Accrued Liability, Prior Year			
Less: Amortization of Unfunded Actuarial Liability, Prior Year	\$ (218,851,183)	\$ (40,527,598)	\$ (259,378,781)
Plus: Interest for Full Year at 7.25%	(16,899,350)	(3,026,228)	(19,925,578)
Plus: Increase (Decrease) Due to Change in Actuarial Assumptions	(14,641,508)	\$ (2,718,849)	\$ (17,360,357)
Equals: Expected Unfunded Actuarial Accrued Liability (UAAL)	5,126,956	11,577,509	16,704,465
Experience (Gain/Loss [Actual UAAL-Expected UAAL])	\$ (211,466,385)	\$ (28,642,710)	\$ (240,109,095)
	\$ 92,303,474	\$ 138,182,507	\$ 230,485,981

**ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS
FOR NON-RETIRED MEMBERS**

	July 1, 2005		
	State	Political Subdivisions	Total
Vested Benefits			
- Active Members	\$ 1,055,003,795	\$ 1,398,830,513	\$ 2,453,834,308
- Terminated Members	112,082,894	99,414,922	211,497,816
Total	\$ 1,167,086,689	\$ 1,498,245,435	\$ 2,665,332,124
Nonvested Benefits	152,289,450	258,320,405	410,609,855
Total Non-Retired Actuarial Present Value of Accumulated Plan Benefits	\$ 1,319,376,139	\$ 1,756,565,840	\$ 3,075,941,979
Non-Retired Member Assets			
- Market Value	\$ 2,112,972,486	\$ 2,602,153,616	\$ 4,715,126,102
- Actuarial Value	2,145,805,051	2,642,587,355	4,788,392,406
Ratio of Assets to the Present Value of Vested Accumulated Plan Benefits			
- Market Value	1.810	1.737	1.769
- Actuarial Value	1.839	1.764	1.797
Ratio of Assets to the Present Value of Total Accumulated Plan Benefits			
- Market Value	1.601	1.481	1.533
- Actuarial Value	1.626	1.504	1.557

ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS
FOR NON-RETIRED MEMBERS

	July 1, 2004		
	State	Political Subdivisions	Total
Vested Benefits			
- Active Members	\$ 951,367,747	\$ 1,269,371,225	\$ 2,220,738,972
- Terminated Members	100,057,983	75,690,239	175,748,222
Total	\$ 1,051,425,730	\$ 1,345,061,464	\$ 2,396,487,194
Nonvested Benefits	143,665,505	235,294,253	378,959,758
Total Non-Retired Actuarial Present Value of Accumulated Plan Benefits	\$ 1,195,091,235	\$ 1,580,355,717	\$ 2,775,446,952
Non-Retired Member Assets			
- Market Value	\$ 2,017,507,975	\$ 2,430,182,976	\$ 4,447,690,951
- Actuarial Value	2,138,655,367	2,576,110,693	4,714,766,060
Ratio of Assets to the Present Value of Vested Accumulated Plan Benefits			
- Market Value	1.919	1.807	1.856
- Actuarial Value	2.034	1.915	1.967
Ratio of Assets to the Present Value of Total Accumulated Plan Benefits			
- Market Value	1.688	1.538	1.603
- Actuarial Value	1.790	1.630	1.699

STATEMENT OF CHANGES IN THE PRESENT VALUE OF ACCUMULATED PLAN BENEFITS
FOR NON-RETIRED MEMBERS

Actuarial Present Value of Accumulated Plan Benefits, July 1, 2004	\$ 2,775,446,952
Plus: Increase Due to Additional Benefits Accumulated	240,530,664
Less: Transfers to Retired and Disabled Status	447,260,626
Plus: Increase Due to Decrease in the Discount Period (at 7.25%)	218,658,377
Plus: Increase Due to Change in Plan Provisions	-
Plus: Increase (Decrease) Due to Change in Actuarial Assumptions	121,696,167
Plus: Actuarial Experience (Gain)/Loss and other Miscellaneous Items	<u>166,870,445</u>
Equals: Actuarial Present Value of Accumulated Plan Benefits, July 1, 2005	\$ 3,075,941,979

STATEMENT OF INCOME

July 1, 2004 - June 30, 2005

		<u>Market Value</u>
(1)	Net Value of Assets Available for Benefits, July 1, 2004	\$ 9,586,901,069
(2)	Receipts	
	Employer Contributions:	
	State	\$ 61,433,980
	Political Subdivisions	144,889,060
	Member Contributions:	
	State	\$ 49,696,334
	Political Subdivisions	86,313,486
	Investment Income and Dividends Net of Fees	136,009,820
	Security Lending Income Net of Fees	892,626,825
	Transfers In	3,781,302
	Miscellaneous Income	2,981,634
		<u>560,407</u>
	Total Receipts	\$ 1,242,283,028
(3)	Disbursements	
	Benefits Paid During the Year	\$ 375,843,083
	Refund of Contributions and Interest	35,008,830
	Administrative Expenses	15,688,303
	Transfers Out	3,972,803
	Miscellaneous Disbursements	-
	Total Disbursements	\$ 430,513,019
(4)	Net Value of Assets Available for Benefits, June 30, 2005 (1) + (2) - (3)	\$10,398,671,078

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

	<u>July 1, 2004</u>	<u>July 1, 2005</u>
Actuarial Value, Prior June 30	\$ 9,293,952,006	\$ 9,853,976,178
<u>Receipts</u>		
Employer Contributions Made During the Year	234,918,374	206,323,040
Member Contributions Made During the Year	135,962,758	136,009,820
Miscellaneous Income -- Not Investment Related	2,363,876	2,981,634
Expected Investment Income (<i>at</i> 7.25%) - Beginning Value	673,811,520	714,413,273
Expected Investment Income (<i>at</i> 7.25%) - Contributions	<u>13,530,132</u>	<u>12,517,650</u>
Total	\$ 1,060,586,660	\$ 1,072,245,417
<u>Disbursements</u>		
Benefits Paid During the Year	361,453,610	\$ 375,843,083
Refund of Contributions and Interest	32,906,058	35,008,830
Miscellaneous Expenses -- Not Investment Related	2,781,420	3,972,803
Expected Investment Expenses (<i>at</i> 7.25%) - Disbursements	<u>14,396,364</u>	<u>15,037,396</u>
Total	\$ 411,537,452	\$ 429,862,112
Expected Actuarial Value, Current June 30	\$ 9,943,001,214	\$ 10,496,359,483
Actual Market Value, Current June 30	\$ 9,586,901,069	\$ 10,398,671,078
Actuarial Value, Current June 30	\$ 9,853,976,178	\$ 10,471,937,382
[75% of Expected Actuarial Value] + [25% of Actual Market Value]		

ALLOCATION OF ASSETS

	<u>July 1, 2004</u>	<u>July 1, 2005</u>
Total Assets Available for Benefits		
- Market Value	9,586,901,069	10,398,671,078
- Actuarial Value	9,853,976,178	10,471,937,382
Less: Annuity Savings Account	2,211,326,472	2,382,280,021
Less: Retired and Disabled	2,927,883,646	3,301,264,955
Equals: Total Non-Retired Assets		
- Market Value	4,447,690,951	4,715,126,102
- Actuarial Value	4,714,766,060	4,788,392,406
Total Ledger Assets	5,765,722,257	5,976,619,684
- State Share of Total	2,615,377,479	2,678,281,088
- State Percent of Total	45.360795%	44.812640%
- Political Subdivisions Share of Total	3,150,344,778	3,298,338,596
- Political Subdivisions Percent of Total	54.639205%	55.187360%
State Portion (Based on Ledger Share)		
- Market Value	2,017,507,975	2,112,972,486
- Actuarial Value	2,138,655,367	2,145,805,051
Political Subdivisions Portion (Based on Ledger Share)		
- Market Value	2,430,182,976	2,602,153,616
- Actuarial Value	2,576,110,693	2,642,587,355

REQUIRED PENSION DISCLOSURE UNDER GASB #25 AND #27

(State Members Only)

Schedule of Funding Progress

Actuarial Valuation Date	(a) Non-Retired Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (U/AAL)	Funded Ratio (a)/(b)	(d) Annual Covered Payroll	U/AAL (Excess Assets) As % of Payroll (c)/(d)
July 1			(b) - (a)			
1996*	1,335,189,108	1,358,810,072	23,621,054	98.3%	1,235,465,458	1.9%
1997	1,447,332,235	1,465,185,818	17,853,583	98.8%	1,283,228,330	1.4%
1998	1,626,450,185	1,491,985,623	(134,464,562)	109.0%	1,229,903,410	(10.9%)
1999	1,828,584,443	1,583,485,563	(245,098,880)	115.5%	1,271,755,859	(19.3%)
2000	1,960,018,018	1,701,091,436	(258,926,582)	115.2%	1,371,496,425	(18.9%)
2001*	2,063,626,964	1,896,505,744	(167,121,220)	108.8%	1,429,768,169	(11.7%)
2002*	2,061,789,940	2,010,177,846	(51,612,094)	102.6%	1,475,076,791	(3.5%)
2003*	2,078,952,509	1,860,101,326	(218,851,183)	111.8%	1,491,661,265	(14.7%)
2004*	2,138,655,367	2,019,492,456	(119,162,911)	105.9%	1,612,048,954	(7.4%)
2005*	2,145,805,051	2,189,336,721	43,531,670	98.0%	1,645,247,889	2.6%

Schedule of Employer Contributions

Plan Year Ending June 30	Annual Required Contribution (ARC)	Actual Employer Contribution	% of ARC Contributed
1996	76,305,000	79,482,947	104.2%
1997	79,101,344	81,584,843	103.1%
1998	81,545,985	80,145,933	98.3%
1999	67,481,016	77,821,378	115.3%
2000	61,761,627	84,353,750	136.6%
2001	66,559,482	76,218,663	114.5%
2002	72,332,921	77,420,077	107.0%
2003	79,641,040	80,795,703	101.4%
2004	54,579,389	90,708,898	166.2%
2005	69,647,405	62,759,547	90.1%

*Plan changes and/or changes in actuarial assumptions.

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REQUIRED PENSION DISCLOSURE UNDER GASB #25 AND #27
(State Employees Only)

Development of Net Pension Obligation (NPO)
(Dollar Amounts in Thousands)

Year Beginning	(1) Annual Required Contrib	(2) Interest on NPO @ 7.25%	(3) ARC Adjust (8) / (4)	(4) Amort. Factor	(5) Net Pens Cost (1)-(2)-(3)	(6) Actual Employer Contrib	(7) Change in NPO (5) - (6)	(8) NPO @ BOY	(9) NPO @ EOY (7) + (8)
7/1/96	\$ 79,101	-	-	12.5944	\$ 79,101	\$ 81,585	\$ (2,484)	-	\$ (2,484)
7/1/97	81,546	\$ (180)	\$ (192)	12.9541	81,558	80,146	1,412	\$ (2,484)	(1,072)
7/1/98	67,481	(78)	(83)	12.8933	67,486	77,821	(10,335)	(1,072)	(11,407)
7/1/99	61,762	(827)	(889)	12.8280	61,824	84,354	(22,530)	(11,407)	(33,937)
7/1/00	66,559	(2,460)	(2,660)	12.7581	66,759	76,219	(9,460)	(33,937)	(43,397)
7/1/01	72,333	(3,146)	(3,422)	12.6830	72,609	76,304	(3,695)	(43,397)	(47,092)
7/1/02	79,641	(3,414)	(3,891)	12.1037	80,118	80,796	(678)	(47,092)	(47,770)
7/1/03	54,579	(3,463)	(3,947)	12.1037	55,063	90,709	(35,646)	(47,770)	(83,416)
7/1/04	69,647	(6,102)	(6,953)	12.1037	70,498	62,760	7,738	(84,159)*	(76,421)

* A negative \$743 thousand was included to represent the addition of the Toll Road Commission to the State account.

**REQUIRED PENSION DISCLOSURE UNDER GASB #25 AND #27
(ALL PER)**

Schedule of Funding Progress

Actuarial Valuation Date July 1	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAAL) (b) - (a)	Funded Ratio (a)/(b)	(d) Annual Anticipated Payroll	UAAAL (Excess Assets) As % of Payroll (c)/(d)
1996*	\$ 5,776,620,844	\$ 5,818,934,842	\$ 42,313,998	99.3%	\$ 2,921,540,553	1.4%
1997	6,304,948,368	6,283,864,768	(21,083,600)	100.3%	3,056,390,214	(0.7%)
1998	6,914,956,789	6,630,150,847	(284,805,942)	104.3%	3,110,162,069	(9.2%)
1999	7,595,266,028	7,075,980,504	(519,285,524)	107.3%	3,250,197,264	(16.0%)
2000	8,267,656,599	7,699,885,278	(567,771,321)	107.4%	3,482,453,418	(16.3%)
2001*	8,723,303,892	8,305,671,786	(417,632,106)	105.0%	3,587,079,638	(11.6%)
2002*	8,994,853,508	9,066,131,687	71,278,179	99.2%	3,785,241,807	1.9%
2003*	9,293,952,006	9,034,573,225	(259,378,781)	102.9%	3,952,229,523	(6.6%)
2004*	9,853,976,178	9,844,353,064	(9,623,114)	100.1%	4,198,941,906	(0.2%)
2005*	10,471,937,382	10,858,322,359	386,384,977	96.4%	4,318,450,314	8.9%

Schedule of Employer Contributions

Plan Year Ending June 30	Annual Required Contribution (ARC)	Actual Employer Contribution	% of ARC Contributed
1997	\$ 180,005,273	\$ 190,204,731	105.7%
1998	182,891,337	196,456,512	107.4%
1999	167,423,510	203,051,459	121.3%
2000	159,721,746	216,708,616	135.7%
2001	169,373,865	187,758,669	110.9%
2002	175,819,543	208,020,151	118.3%
2003	217,076,848	213,370,551	98.3%
2004	166,574,712	234,918,374	141.0%
2005	202,630,615	210,774,893	104.0%

*Plan changes and/or changes in actuarial assumptions

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SUMMARY OF EMPLOYEE DATA

	<u>July 1, 2004</u>	<u>July 1, 2005</u>
Active Members		
State	50,773	49,566
Political Subdivisions	92,140	91,862
Total	<u>142,913</u>	<u>141,428</u>
Retired Members and Beneficiaries Receiving Benefits		
Annual Benefits Payable from Trust	\$ 308,061,648	\$ 334,909,825
Average Annual Benefit	\$ 6,108	\$ 6,327
Disabled Members Receiving Benefits		
Annual Benefits Payable from Trust	\$ 3,918	\$ 4,185
Average Annual Benefit	\$ 17,649,672	\$ 19,375,530
	\$ 4,505	\$ 4,630
Terminated Members Entitled to Future Benefits		
<u>STATE</u>		
Deferred Annual Benefits	5,559	5,609
Average Annual Benefits	\$ 22,120,663	\$ 22,864,594
	\$ 3,979	\$ 4,076
<u>POLITICAL SUBDIVISIONS</u>		
Deferred Annual Benefits	4,325	4,922
Average Annual Benefits	\$ 14,584,130	\$ 17,448,776
	\$ 3,372	\$ 3,545

SCHEDULED AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

<u>Date Base Established</u>	<u>Reason</u>	<u>STATE PORTION</u>		
		<u>Years Remaining at 7-1-2005</u>	<u>Amortization Amount</u>	<u>Balance at 7/1/2005</u>
7/1/2002	Fresh Start	27	\$ (3,975,918)	\$ (49,928,863)
7/1/2003	Experience Loss	28	13,396,675	170,257,333
7/1/2003	Assumption Changes	28	(26,320,107)	(334,500,275)
7/1/2004	Experience Loss	29	7,110,562	91,369,398
7/1/2004	Assumption Changes	29	394,953	5,075,073
7/1/2005	Experience Loss	30	5,888,838	76,444,056
7/1/2005	Assumption Changes	30	<u>6,533,686</u>	<u>84,814,948</u>
Total			\$ 3,028,689	\$ 43,531,670

SCHEDULED AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

-Continued-

<u>Date Base Established</u>	<u>Reason</u>	<u>POLITICAL SUBDIVISION PORTION</u>		
		<u>Years Remaining at 7-1-2005</u>	<u>Amortization Amount</u>	<u>Balance at 7/1/2005</u>
7/1/2002	Fresh Start	27	\$ 9,466,804	\$ 118,882,447
7/1/2003	Experience Loss	28	21,194,490	269,359,191
7/1/2003	Assumption Changes	28	(33,687,522)	(428,132,193)
7/1/2004	Experience Loss	29	10,644,836	136,784,152
7/1/2004	Assumption Changes	29	891,869	11,460,349
7/1/2005	Experience Loss	30	9,198,605	119,408,734
7/1/2005	Assumption Changes	30	<u>8,865,962</u>	<u>115,090,627</u>
Total			\$ 26,575,044	\$ 342,853,307

TEN YEAR HISTORY OF CONTRIBUTION RATES

<u>Valuation Date</u>	<u>State</u>	<u>Political Subdivisions</u>	<u>Total</u>
July 1, 1996*	6.6%	6.2%	6.4%
July 1, 1997	6.6%	5.9%	6.2%
July 1, 1998	5.7%	5.5%	5.6%
July 1, 1999	5.0%	5.1%	5.1%
July 1, 2000	5.0%	5.0%	5.0%
July 1, 2001*	5.2%	5.0%	5.1%
July 1, 2002*	5.6%	6.2%	5.9%
July 1, 2003*	3.8%	4.7%	4.4%
July 1, 2004*	4.5%	5.3%	5.0%
July 1, 2005*	5.5%	6.3%	6.0%

* Plan changes and/or changes in actuarial assumptions

TEN YEAR HISTORICAL INVESTMENT EXPERIENCE

<u>Year Ending June 30</u>	<u>Estimated Annual Rate of Investment Return</u>	
	<u>Actuarial Basis</u>	<u>Market Basis</u>
1996	7.96%	5.04%
1997	8.57%	8.25%
1998	9.34%	13.27%
1999	9.52%	10.04%
2000	8.53%	5.80%
2001	5.77%	(2.14%)
2002	3.08%	(4.85%)
2003	4.20%	3.48%
2004	6.29%	16.19%
2005	7.00%	9.23%
		7.25%

TEN YEAR HISTORICAL MEMBER INFORMATION

Active Member Statistics

<u>Year Ending June 30</u>	<u>Number</u>	<u>Total Anticipated Annual Payroll</u>	<u>Average Annual Pay</u>	<u>Percentage Increase In Average Pay</u>
1996	142,336	2,921,540,553	20,526	1.37%
1997	142,011	3,056,390,214	21,522	4.86%
1998	141,383	3,110,162,069	21,998	2.21%
1999	141,441	3,250,197,264	22,979	4.46%
2000	146,613	3,482,453,418	23,753	3.37%
2001	145,019	3,587,079,638	24,735	4.14%
2002	143,234	3,851,760,958	26,891	8.72%
2003	143,082	4,038,679,794	28,226	4.96%
2004	142,913	4,214,390,292	29,489	4.47%
2005	141,428	4,318,450,314	30,535	3.55%

Non-Retired Inactive Vested Member Statistics

<u>Year Ending June 30</u>	<u>Number</u>	<u>Average Annual Benefit*</u>
1996	6,083	3,113
1997	5,741	3,349
1998	6,862	3,661
1999	7,979	3,611
2000	8,368	3,788
2001	10,323	3,982
2002	11,572	4,531
2003	11,897	3,472
2004	9,884	3,714
2005	10,531	3,828

* July 1, 2002 and earlier amounts weighted with early retirement rates

TEN YEAR HISTORICAL MEMBER INFORMATION

-Continued-

Retired Member and Beneficiary Statistics

<u>Year Ending June 30</u>	<u>Number</u>	<u>Annual Benefit*</u>	<u>Average Annual Benefit*</u>
1996	40,819	163,455,987	4,004
1997	42,050	176,509,450	4,198
1998	43,517	193,350,012	4,443
1999	44,594	203,097,160	4,554
2000	45,768	216,615,494	4,733
2001	47,203	230,791,087	4,889
2002	47,507	248,797,563	5,237
2003	49,181	273,821,963	5,568
2004	50,436	308,061,648	6,108
2005	52,936	334,909,825	6,327

Disabled Member Statistics

1996	2,966	9,516,383	3,208
1997	3,101	10,363,939	3,342
1998	3,257	11,433,222	3,510
1999	3,360	11,986,411	3,567
2000	3,537	13,230,143	3,740
2001	3,566	13,529,137	3,794
2002	3,585	14,212,424	3,964
2003	3,775	15,845,234	4,197
2004	3,918	17,649,672	4,505
2005	4,185	19,375,530	4,630

*Includes employee annuities

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TEN YEAR HISTORICAL FUNDING INFORMATION

Portion Of Actuarial Liability Provided for by Assets

(In Thousands of Dollars)

<u>Year Ending June 30</u>	<u>Accumulated Employee Contributions</u>	<u>Retired and Disabled</u>	<u>Non-Retired Member Actuarial Liability</u>	<u>Net Assets Available for Benefits, Actuarial Value</u>
1996	1,140,426 100%	1,751,629 100%	2,926,879 98.6%	5,776,621
1997	1,264,456 100%	1,893,179 100%	3,126,230 100%	6,304,948
1998	1,288,353 100%	2,074,561 100%	3,267,237 100%	6,914,957
1999	1,428,913 100%	2,158,640 100%	3,488,428 100%	7,595,266
2000	1,647,902 100%	2,303,679 100%	3,748,305 100%	8,267,657
2001	1,728,972 100%	2,426,062 100%	4,150,638 100%	8,723,304
2002	1,886,124 100%	2,582,149 100%	4,597,859 98.4%	8,994,854
2003	1,971,864 100%	2,764,974 100%	4,297,735 100%	9,293,952
2004	2,211,326 100%	2,927,884 100%	4,705,143 100%	9,853,976
2005	2,382,280 100.0%	3,301,265 100.0%	5,174,777 92.5%	10,471,937

TEN YEAR HISTORICAL FUNDING INFORMATION

-Continued-

Portion of Present Value of Accumulated Vested and Total Accumulated Benefits Provided for by Assets

(In Thousands of Dollars)

Year Ending June 30	Accumulated Employee Contributions	Retired and Disabled	Non-Retired Accumulated Vested Benefits	Non-Retired Total Accumulated Benefits	Net Assets Available for Benefits, Actuarial Value
1996	1,140,426 100%	1,751,629 100%	1,307,888 100%	1,639,205 100%	5,776,621
1997	1,264,456 100%	1,893,179 100%	1,405,101 100%	1,747,693 100%	6,304,948
1998	1,288,353 100%	2,074,561 100%	1,511,289 100%	1,859,857 100%	6,914,957
1999	1,428,913 100%	2,158,640 100%	1,639,166 100%	2,005,646 100%	7,595,266
2000	1,647,901 100%	2,303,679 100%	1,785,795 100%	2,168,889 100%	8,267,657
2001	1,728,972 100%	2,426,062 100%	1,950,425 100%	2,249,293 100%	8,723,304
2002	1,886,124 100%	2,582,149 100%	2,327,868 100%	2,646,870 100%	8,994,854
2003	1,971,864 100%	2,764,974 100%	2,215,284 100%	2,562,166 100%	9,293,952
2004	2,211,326 100%	2,927,884 100%	2,396,487 100%	2,775,447 100%	9,853,976
2005	2,382,280 100.0%	3,301,265 100.0%	2,665,332 100.0%	3,075,942 100.0%	10,471,937

ACTUARIAL METHODS

ACTUARIAL COST METHOD

Entry Age Normal Cost

ASSET VALUATION METHOD

75% of Expected

Actuarial Value Plus

25% of Market Value

Entry Age Normal Cost

The normal cost is calculated separately for each active member and is equal to the level percentage of payroll needed as an annual contribution from entry age to retirement age to fund projected benefits. The unfunded actuarial accrued liability on any valuation date is the accumulated value of such normal costs from entry age to the valuation date less the actuarial value of assets.

The effect of this valuation method is to amortize all actuarial gains and losses, resulting from experience different from that anticipated in our assumptions, over a 30-year period. The purpose of the method is to give a smooth progression of the costs from year to year and, at the same time, provide for an orderly funding of the unfunded liabilities.

ACTUARIAL ASSUMPTIONS

Interest	7.25% net of administrative expenses
Future Salary Increases	Based on PERF experience 1995-2000.
Cost of Living Increases	An increase of 1.0% compounded annually (changed from 0.5% compounded annually) is assumed to be applied to the pension benefit each year following retirement. No increase is assumed to be applied to the PERF annuity benefit.
Mortality	UP-1994, Pre-retirement mortality based on PERF experience 1995-2000.
Disability	Based on PERF experience 1995-2000.
Termination	Select and ultimate tables based on PERF experience 1995-2000. Separate tables are used for state employees and political subdivision employees.
Retirement	Based on PERF experience 1995-2000.
Spouse's Benefit	90% of members are assumed either to be married or to have a dependent beneficiary. Males are assumed to be 3 years older than their spouses.
Administrative Expense	Netted against investment earnings

SUMMARY OF MAJOR PLAN PROVISIONS

PARTICIPATION

All full time employees of the State of Indiana and all full time employees of political subdivisions which have adopted the plan must become members of PERF upon date of hire.

ELIGIBILITY FOR ANNUITY BENEFITS:

Normal Retirement

Earliest of:

- (1) Age 65 with 10 years of creditable service;
- (2) Age 60 with 15 years of creditable service;
- (3) Sum of age and creditable service equal to 85 (but not earlier than age 55).

Early Retirement

Age 50 with 15 years of creditable service

Late Retirement

Subject to continued employment after normal retirement

Disability Retirement

5 years of creditable service and qualified for Social Security disability benefits or federal Civil Service disability benefits.

Termination

10 years of creditable service and election not to take lump sum payment of employee account balance with interest.

Pre-Retirement Death

If death occurs in service, 15 years of creditable service. If death occurs after separating from service, age 50 with 15 years of creditable service.

SUMMARY OF MAJOR PLAN PROVISIONS, Continued

AMOUNT OF BENEFITS:

Normal Retirement

The normal retirement benefit is an annuity payable for life with 60 months guaranteed and is equal to 1.1% of average monthly earnings* times years and months of creditable service earned.

Early Retirement

The early retirement benefit is the accrued retirement benefit determined as of the early retirement date and payable commencing at the normal retirement date. A member may elect to have the benefit commence prior to normal retirement provided the benefit is reduced by 1/10% for each of the first 60 months and by 5/12% for each of the next 120 months that the benefit commencement date precedes the normal retirement date.

Late Retirement

The late retirement benefit is calculated in the same manner as the normal retirement benefit. Creditable service and earnings earned after normal retirement is included in the computation.

Disability Retirement

The disability retirement benefit is the accrued retirement benefit determined as of the disability date and payable commencing the month following disability date without reduction for early commencement.

Termination

The termination benefit is the accrued retirement benefit determined as of the termination date and payable commencing at 65. If the member has 15 or more years of creditable service, then the member may elect to receive a reduced early retirement benefit.

* Average monthly earnings is the monthly average of earnings during the 20 quarters (in groups of 4 consecutive quarters) preceding retirement that produce the highest such average. Earnings include basic salary, the member's 3% mandatory contribution paid by the employer, the member's salary reduction agreement under Section 125, 403(b) or 457 of the Internal Revenue Code, and up to \$2,000 of additional compensation received from the employer in anticipation of the member's termination or retirement.

SUMMARY OF MAJOR PLAN PROVISIONS, Continued

AMOUNT OF BENEFITS:

Pre-Retirement Death

The spouse or dependent beneficiary is entitled to receive the monthly life annuity under the assumption that the member retired on the later of age 50 or the day before the date of death and elected the joint and full survivor option.

Employee Contributions

Each member is required to contribute to an employee annuity at the rate of 3% of pay (unless the employer has opted to make all or a portion of the contribution for the employee). These contributions are kept on deposit and credited with interest until such time as they are refunded or used to provide the annuity benefit at retirement.

The benefits provided by employee contributions are in addition to the benefits provided by employer contributions. The monthly annuity provided at a normal retirement age of 65 is equal to \$1.00 for each \$108.79 of accumulated employee contributions plus interest.

STATE OF INDIANA
PUBLIC EMPLOYEES' RETIREMENT FUND

STATE ACTIVE MEMBERS

Analysis of Employees by Age and Service as of
July 1, 2005

Completed Years of Service																
	0	1	2	3	4	5	6	7	8	9	10-14	15-19	20-24	25 +	TOTAL	AVERAGE SALARY
UNDER 20	1	2	2	0	0	0	0	0	0	0	0	0	0	0	5	\$14,556
20-24	98	443	372	23	0	0	0	0	0	0	0	0	0	0	936	\$24,173
25-29	178	903	1,746	767	11	0	0	0	0	0	0	0	0	0	3,605	\$28,373
30-34	107	608	1,328	1,569	430	22	1	0	0	0	0	0	0	0	4,065	\$31,161
A 35-39	90	521	1,145	1,405	1,223	462	24	0	0	0	0	0	0	0	4,870	\$32,555
G 40-44	201	456	1,156	1,483	1,143	1,211	588	65	6,203	\$32,926						
45-49	64	413	1,087	1,534	1,273	1,375	1,052	932	7,730	\$34,091						
50-54	72	371	984	1,488	1,265	1,417	913	2,086	8,596	\$35,345						
55-59	358	513	926	1,265	1,081	1,240	808	1,959	8,149	\$34,301						
60-64	32	136	371	643	666	709	446	862	3,865	\$34,458						
65 & OVER	22	37	114	293	303	317	153	303	1,542	\$32,674						
TOTAL	1,123	4,403	9,231	10,470	7,395	6,753	3,985	6,206	49,566	\$33,196						
AVERAGE SALARY	\$20,120	\$26,069	\$28,689	\$30,823	\$35,028	\$36,519	\$38,865	\$41,803	\$33,186							

AVERAGE AGE = 46.6

AVERAGE SERVICE = 12.0

STATE OF INDIANA
PUBLIC EMPLOYEES' RETIREMENT FUND
POLITICAL SUBDIVISION ACTIVE MEMBERS

Analysis of Employees by Age and Service as of
July 1, 2005

Completed Years of Service											
	0	1	2-4	5-9	10-14	15-19	20-24	25 +	TOTAL	AVERAGE SALARY	
UNDER 20	3	4	3	0	0	0	0	0	10	\$20,721	
20-24	133	545	672	53	0	0	0	0	1,403	\$26,093	
25-29	204	1,004	2,275	1,233	22	0	0	0	4,738	\$29,996	
30-34	120	815	2,140	2,617	586	19	0	0	6,297	\$31,059	
A 35-39	141	786	2,465	2,899	1,484	666	28	0	8,469	\$30,479	
G											
E 40-44	122	865	2,955	3,935	2,047	1,545	728	87	12,284	\$29,395	
45-49	115	734	2,838	4,627	2,789	2,051	1,310	1,168	15,632	\$29,428	
50-54	68	622	2,164	3,579	2,954	2,590	1,386	1,900	15,263	\$29,806	
55-59	906	1,199	2,393	2,925	2,236	2,468	1,497	2,101	15,725	\$27,824	
60-64	67	232	885	1,464	1,295	1,308	896	1,509	7,656	\$28,423	
65 & OVER	74	84	475	881	810	747	410	904	4,385	\$24,817	
TOTAL	1,953	6,890	19,265	24,213	14,223	21,394	6,255	7,669	91,862	\$29,094	
AVERAGE SALARY	\$19,403	\$23,465	\$25,763	\$28,060	\$30,360	\$32,192	\$34,663	\$36,758	\$29,094		

AVERAGE AGE = 47.8

AVERAGE SERVICE = 10.7

STATE OF INDIANA
PUBLIC EMPLOYEES' RETIREMENT FUND
COMBINED STATE AND POLITICAL SUBDIVISIONS - ACTIVE MEMBERS

Analysis of Employees by Age and Service as of
July 1, 2005

Completed Years of Service										TOTAL	AVERAGE SALARY
	0	1	2-4	5-9	10-14	15-19	20-24	25 +			
UNDER 20	4	6	5	0	0	0	0	0	15		\$18,666
20-24	231	988	1,044	76	0	0	0	0	2,339		\$25,325
25-29	382	1,907	4,021	2,000	33	0	0	0	8,343		\$29,294
30-34	227	1,423	3,468	4,186	1,016	41	1	0	10,362		\$31,099
A 35-39	231	1,307	3,610	4,304	2,707	1,128	52	0	13,339		\$31,237
G 40-44	223	1,321	4,111	5,418	3,190	2,756	1,316	152	18,487		\$30,579
45-49	179	1,147	3,925	6,161	4,062	3,426	2,362	2,100	23,362		\$30,971
50-54	140	993	3,148	5,067	4,219	4,007	2,299	3,986	23,859		\$31,802
55-59	1,264	1,712	3,319	4,190	3,317	3,708	2,305	4,059	23,874		\$30,035
60-64	99	368	1,256	2,107	1,961	2,017	1,342	2,371	11,521		\$30,447
65 & OVER	96	121	589	1,174	1,113	1,064	563	1,207	5,927		\$26,861
TOTAL	3,076	11,293	28,496	34,683	21,618	18,147	10,240	13,875	141,428		\$30,528
AVERAGE SALARY	\$19,664	\$24,480	\$26,711	\$28,894	\$31,957	\$33,802	\$36,299	\$39,014	\$30,528		

AVERAGE AGE = 47.4

AVERAGE SERVICE = 11.1

STATE OF INDIANA
PUBLIC EMPLOYEES' RETIREMENT FUND

RETIRED MEMBERS

Analysis of Retirees by Retirement Option as of
July 1, 2005

Annuity Option	Annual Retirement Benefits		
	Number	Total	Average
Five Years Certain and Life	19,565	\$114,166,250	\$5,835
Straight Life	9,511	60,755,119	6,388
Joint and 100% Survivor	9,601	65,753,205	6,849
Joint and 66-2/3% Survivor	1,598	14,986,268	9,378
Joint and 50% Survivor	2,553	21,924,313	8,588
Social Security Integrated	545	3,254,681	5,972
Modified Cash Refund	2,018	16,415,373	8,134
Survivor Pension	0	0	0
TOTAL	45,391	\$297,255,209	\$6,549

STATE OF INDIANA
PUBLIC EMPLOYEES' RETIREMENT FUND
BENEFICIARIES OF DECEASED MEMBERS

Analysis of Retirees by Retirement Option as of
July 1, 2005

Original Annuity Option	Annual Retirement Benefits		
	Number	Total	Average
Five Years Certain and Life	10	\$36,317	0.1%
Straight Life	2	3,381	0.0%
Joint and 100% Survivor	4,505	21,363,633	56.7%
Joint and 66-2/3% Survivor	601	2,605,435	6.9%
Joint and 50% Survivor	668	2,344,214	6.2%
Social Security Integrated	23	104,576	0.3%
Modified Cash Refund	279	4,263,735	11.3%
Survivor Pension	1,457	6,933,325	18.4%
TOTAL	7,545	\$37,554,516	100.0%

STATE OF INDIANA
PUBLIC EMPLOYEES' RETIREMENT FUND
DISABLED MEMBERS

Analysis of Retirees by Retirement Option as of
July 1, 2005

Annuity Option	Annual Retirement Benefits		
	Number	Total	Average
Five Years Certain and Life	1,496	\$6,336,598	\$4,236
Straight Life	589	2,471,651	4,196
Joint and 100% Survivor	1,602	7,391,958	4,614
Joint and 66-2/3% Survivor	110	703,428	6,395
Joint and 50% Survivor	183	1,143,401	6,248
Social Security Integrated	2	150,536	75,268
Modified Cash Refund	203	1,177,958	5,803
Survivor Pension	0	0	0
TOTAL	4,185	\$19,375,530	\$4,630